GOVERNMENT OF INDIA
DEFENCE
LOK SABHA

STARRED QUESTION NO:59
ANSWERED ON:25.07.2001
PRIVATISATION IN DEFENCE SECTOR
M.A. KHARABELA SWAIN;NARESH KUMAR PUGLIA

Will the Minister of DEFENCE be pleased to state:

(a) whether the Government have thrown open the sheltered Defence equipment industry to the private sector including Foreign Direct Investment;

(b) if so, the details thereof including the defence equipment proposed for F.D.I.;

(c) the response of Indian and foreign companies thereto and limits fixed therefor in areas of defence production;

(d) whether the Government propose to review its decision in view of stiff opposition from various labour organisations and political parties and the call given by the unions in Defence sector for a strike on July 23-24;

(e) if not, the reasons therefor;

(f) whether the impact of private participation in the above area has been examined in depth and if so the details thereof; and (g) the steps contemplated to ensure the security of the country and to forestall the possible leakages of defence secrets?

Answer

MINISTER OF DEFENCE (SHRI JASWANT SINGH)

(a) to (g): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (g) OF LOK SABHA STARRED QUESTION NO. 59 FOR 25.7.2001.

The Defence Industry sector is opened for participation byIndian private sector upto 100% of equity, with Foreign DirectInvestment (FDI), component of it beingpermissible upto 26%, both, of course, being subject to licensing permissions. This includes all types of defence equipment. To achieve self-reliance in the crucial sector of defence production, it is considered necessary that all technical and managerial resources, both in the public as also in the private sectors are harnessed, particularly when our private sector has already demonstrated its capabilities in various defence related fields, too. Opening of this sector to private participation is expected to reduce, incrementally and over time, existing dependence on defence related imports by the infusion of capital and technology. Indian private industry has also been consistently advocating that they be permitted greater participation in the country's defence production, as import from foreign private companies is already often resorted to.

This policy of opening our defence industry sector to private enterpreneurs has been announced only recently. It is yet too early to expect any concrete investment proposals in the field.

The rationale for opening up this sector has been explained at length to labour organisations, where it has been specified that the country's Ordnance Factories are not being privatised. In consequence, the proposal of a strike by them stands postponed.

Security concerns will always be fully addressed through the licensing procedure, control over sales and also in the field of export.